

## **DHHS POLICIES AND PROCEDURES**

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<b>Section IV:</b>	<b>General Administration</b>
<b>Title:</b>	<b>Subrecipient Monitoring Manual</b>
<b>Chapter:</b>	<b>Cash Management</b>
<b>Current Effective Date:</b>	<b>3/30/05</b>
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### **Cash Management**

Cash management refers to the internal control procedures that minimize the time elapsing between the transfer of funds to the subrecipient and the disbursement of those funds by the subrecipient to a payee. This compliance area is only applicable when the division advances funds to the subrecipient. Subrecipients that are funded on a reimbursement basis have used their own funds to pay for program costs in advance of funding received from the Department of Health and Human Services (DHHS), so cash management compliance is not an issue.

The DHHS Cash Management Policy (available at: <http://www.ncdhhs.gov/control/>) stipulates that funds are authorized for advances only when the lack of an advance would cause an economic hardship for the subrecipient. Advances are limited to the amount estimated to be needed for cash expenditures during a 60-day period. Advances for more than 60 days worth of estimated expenses are approved only on an exception basis in documented cases of extreme hardship. Unless specifically authorized by the federal funding source, all advances are made entirely from state funds.

The DHHS Cash Management Policy charges the DHHS Controller's Office with the responsibility of reviewing the cash needs of subrecipients that receive advances every three (3) months. This review is to determine whether or not the advance represents more than a 60-day cash requirement.

#### **Suggested Monitoring Procedures:**

Since the DHHS Controller's Office reviews the cash needs of subrecipients receiving advances every three (3) months, there is very limited monitoring activity required by the division for this compliance requirement. Only in cases where an advance in excess of 60 days has been requested is the division required to monitor cash management. When such an advance is requested, the division should also reassess the risk level assigned to the subrecipient, if the agency was not already assessed as a high risk. The advance in isolation does not necessarily dictate a change in risk status, but it should trigger a re-evaluation. In those cases:

1. The DHHS Cash Management Plan requires that requests for advances in excess of 60 days must identify the unique circumstances that justify the advance and be signed by the entity's director and the board chair. Before requesting an advance, the board chairperson must secure the approval of the entire board. The request to the division requires signatures of both the director and board chair and must provide evidence of the entire board's approval. The request must include the names and addresses of the board members. When the advance check is sent, all board members are notified by the DHHS Controller's Office.
  - A. Review the minutes of the board meeting, or records supporting a board teleconference, to document the notification to the entire board.
  - B. Review the subrecipient's corrective action plan for addressing their cash flow problems. Monitor the implementation of the plan for several months to ensure that cash flow problems are being reduced.
  - C. Offer technical assistance to the subrecipient on methods/techniques to address cash flow issues.
  - D. Notify the DHHS Controller's Office immediately if information indicates that the subrecipient will be unable to repay the advance at the end of the fiscal year.

**Documentation:**

Monitoring Tool/Instrument  
Working Papers  
Summaries  
Monitoring Results Report

*For questions or clarification on any of the information contained in this policy, please contact [Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).*